

DOCKET SECTION
BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

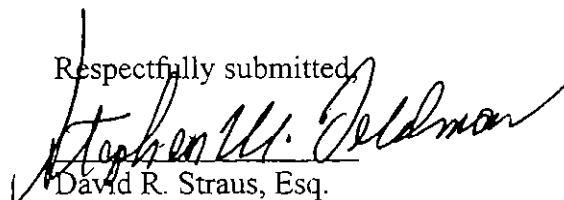
) POSTAL RATE COMMISSION
) OFFICE OF THE SECRETARY

) Docket No. R97-1
)

THE AMERICAN BUSINESS PRESS' FIRST SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF
DOCUMENTS DIRECTED TO USPS WITNESS PATELUNAS
(ABP/USPS-T15-1-9)

Pursuant to Sections 25 and 26 of the Commission's Rules of Practice, the American Business Press hereby submits the attached interrogatories and requests for production of documents to USPS Witness Patelunas (ABP/USPS-T15-1-9). If the designated witness is unable to respond to any interrogatory, we request a response by some other qualified witness.

Respectfully submitted,



David R. Straus, Esq.

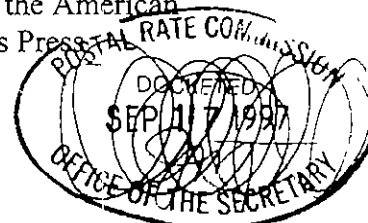
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FIRST INTERROGATORIES
OF AMERICAN BUSINESS PRESS (ABP)
TO USPS WITNESS RICHARD PATELUNAS (USPS-T15)

ABP/USPS-T15-1

Please review the following comparison of domestic periodical regular-rate purchased transportation volume-variable costs as derived from your testimony for the test year, from Witness Alexandrovich, USPS-T5, USPS Exhibit 5A, at 45 (for BY 1996) and from the CRA for 1995 (Cost Segments and Components, FY 1995, p. 45):

1995	1996	1998 (Test year after rates)
\$216,250,000	\$248,294,000	\$276,747,000

[a] Confirm that the purchased transportation costs for regular rate periodicals increased by \$32,044,000, or 14.8% in one year, 1995-1996. If you cannot confirm, provide the correct data.

[b] Confirm that the purchased transportation costs for regular rate periodicals are estimated to increase by \$28,453,000, or 11.45% between 1996 and 1998 (after rates). If you cannot confirm, provide the correct data.

ABP/USPS-T15-2

Please explain why purchased transportation costs for regular rate periodicals increased 14.8% in 1995-1996, especially since the volume (in weight) of regular-rate periodicals, according to the CRA Reports for 1995 and 1996, decreased from 3,284,220,000 pounds to 3,250,571,000 pounds.

ABP/USPS-T15-3

[a] Please explain in detail why you project that purchased transportation costs for regular-rate periodicals will increase 11.45% between 1996 and 1998, as compared with the 14.8% increase shown for periodical transportation between 1995-96.

[b] How much did private sector, national long-haul freight (provide separate answers for truck and rail) carriers on average increase their over-the-road rates between 1995 and 1996 for non-postal freight customers?

[c] Does USPS compare its annual surface (or air) purchased transportation costs with national transportation industry data to evaluate if its costs are comparable to freight costs for other large national shippers? If it does make this comparison, please provide all studies, reports and analyses covering time periods since January 1988, since the current transportation cost allocation method derives from the decision of the Governors in Docket R87-1.

ABP/USPS-T15-4

[a] Confirm that if the 1994 CRA shows purchased transportation costs attributed to regular-rate periodicals to be \$199,325,000 that their costs will have increased 38.8% according to the purchased transportation costs for periodical regular rates that you show for 1998 (after rates), of \$276,747,000. (USPS-T-15, Ex. 15-H, p. 43).

[b] What was the volume (in pounds) of regular-rate periodicals in FY 1994?

[c] Given your estimate of test year periodical after rates volume of 3,326,560,000 pounds, is the volume change from 1994 -1998 the cause of a nearly 39% increase in purchased transportation costs attributed to regular-rate periodicals?

[d] Confirm that the volume (in pounds) of regular rate periodicals increased 1.3% from BY 1996 to your estimate of FY 1998 (after rates) volumes. If you do not confirm, provide your estimate of this change in volume from 1996-1998. Did this 1.3% increase in periodical weight primarily cause purchased transportation costs attributed to periodical to increase an average of nearly 10% per year?

ABP/USPS-T15-5

Please examine the chart that follows, entitled Domestic Purchased Transportation Cost 1994-98. The 1994 and 1995 data are derived from CRA reports; the 1996 data from USPS-T5 (Development of Cost by Segment and Component BY 1996), pp. 43-44; the 1997 and 1998 data are derived from your exhibits (USPS-15-B and USPS-15H).

DOMESTIC PURCHASED TRANSPORTATION COSTS

1994-1998

	FY 1994 (THOUSANDS)	FY 1995	1996 (BY)	FY 1997 (PROJ.)	FY 1998 (AR)
DOMAIR	1,089,800	1,120,866	1,053,608	1,221,486	1,208,635
HIGHWAY	935,774	983,881	1,215,158	1,346,277	1,502,854
RAILROAD	242,704	233,075	242,950	257,255	276,554
DOMESTIC WATER	23,000	24,263	23,295	25,351	27,372
SUBTOTAL:	2,291,278	2,362,085	2,535,011	2,850,369	3,015,415

[a] Confirm that the subtotal increase for all domestic subclasses in all modes of purchased transportation from 1994-1998 (after rates) is 31.6%. If you do not confirm, by what percentage do you believe purchased transportation costs have increased from 1994-1998 (after rates), and demonstrate how you calculated your data.

[b] Confirm that highway costs for all subclasses as shown in the above chart increased 60.6% from 1994-1998 (after rates). If you do not confirm, provide an alternative calculation, and demonstrate its derivation.

[c] Confirm that domestic air costs increased 10.9% from FY 1994 to 1998 (after rates).

ABP/USPS-T15-6

[a] Please state the volume, stated separately, in pounds and in pieces, of all domestic mail in 1994 and the same stated volume that you project in 1998 (after rates).

[b] What is the percentage of overall volume increase, expressed separately by pieces and by pounds, between 1994 and 1998 (after rates)?

ABP/USPS-T15-7

The following chart shows by mode of transportation, domestic purchased transportation costs for regular-rate periodicals from 1994 to 1998 (after rates). (Sources of data are identical to chart used in ABP/USPS-T-15-5).

**PERIODICAL (SECOND-CLASS) REGULAR-RATE DOMESTIC
PURCHASED TRANSPORTATION COSTS**

	FY 1994 (THOUSANDS)	FY 1995	1996 (BY)	FY 1997 (PROJ.)	FY 1998 (AFTER RATES)
DOMAIR	10,676	16,553	13,515	15,085	15,737
HIGHWAY	115,998	123,161	158,791	174,906	179,998
RAILROAD	69,941	73,337	72,880	75,316	77,630
DOMESTIC WATER	2,710	3,199	3,108	3,281	3,382
SUBTOTAL:	199,325	216,250	248,294	268,588	276,747

[a] Confirm that domestic air costs for periodical regular-rate mail will be 47.4% higher in 1998 (after rates) than in 1994, compared with a 10.9% increase for all domestic air costs for the same period.

[b] Confirm that 1994 air costs increased by 55% from 1994 to 1995, but decreased 18.35% in BY 1996 from the 1995 costs.

[c] What is the basis for a 4.3% increase in air costs shown for periodicals (regular-rate) from 1997 to 1998, given the previously larger increases (and 1996 decrease) of FY 1994-1996.

[d] Describe how, why and where USPS decides to use domestic air transportation for periodicals.

[e] Provide the volume in pounds for each year, 1994-98, for air-carried periodicals.

[f] Does USPS have any data demonstrating whether periodicals that used domestic air transportation achieve more consistent on-time delivery than periodicals that use only surface transportation? If so, what do they show?

ABP/USPS-T15-8

[a] Refer to the chart (ABP/USPS-T15-7) showing periodical transportation costs. Confirm that highway costs are projected to increase 55.2% between 1994 and 1998 (after rates).

[b] Confirm that a 36.9% increase for highway costs occurred between 1994-1996.

[c] Please explain these increases in purchased highway transportation costs as compared with increases shown for other modes of transportation for the same 1994-96 time period.

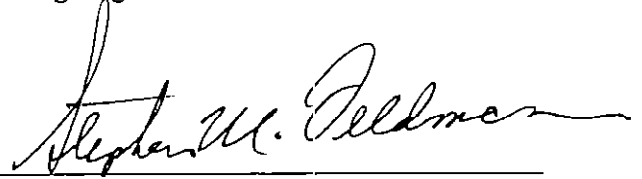
ABP/USPS-T15-9

[a] With reference to the periodical transportation chart in interrogatory T15-7 above, please compare the costs paid by USPS to transport periodicals by rail from 1994 to 1998 (after rates) with highway increases for the same interval. Why would USPS pay 11% more in rail costs in the test year over 1994 rail costs, whereas USPS would pay 55.2% more for highway transportation for the same time period?

[b] Provide the actual or projected volumes in pounds for each year, 1994-1998 inclusive, for regular-rate periodicals allocated to cost segment 14 rail accounts compared with cost segment 14 highway accounts for the same interval.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing documents in accordance with Section 12 of the Commission's Rules of Practice.

A handwritten signature in cursive script, reading "Stephen M. Feldman", written in black ink.

Stephen M. Feldman

Dated: September 17, 1997